

Paul J. Graf
Group Attorney
Transportation Systems & Industrial Group

EVANS
PRODUCTS COMPANY

The East Tower
2550 Golf Road
Rolling Meadows, Illinois 60008

Telephone 312/640-7000

13591
RECORDATION NO. _____ FILE NO. 1448

MAR 10 1982 10 01 AM

February 8, 1982

INTERSTATE COMMERCE COMMISSION

No. 2-069A042

Date MAR 10 1982

Fee \$...50.00

ICC Washington, D. C.

Mrs. Mildred Lee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Mrs. Lee:

I have enclosed two originals and two copies of the document described below to be recorded pursuant to Section 11303 of Title 49 U.S. Code.

The document included is a Lease, a primary document dated August 19, 1981.

The names and addresses of the parties to the document follows:

Lessor: Evans Railcar Leasing Company
2550 Golf Road
Rolling Meadows, IL 60008

Lessee: Keokuk Northern Real Estate Company
P.O. Box 1274
Keokuk, IA 52362

A description of the equipment covered by the document follows:

Forty (40) New, 50'6" 70-ton XF Boxcars - KJRY 100-120, 130-148, AAR #A200,
Sixty (60) Used, 4780 c.f. 100-ton Covered Hoppers - KJRY (See below) AAR #L153
Ten (10) Used 52'5" 70-ton Foam Insulated RBL Boxcars with Dual-Air-Pak
Bulkheads - KJRY 65609, 65611, 65620, 65624, 65628, 65631, 65632, 65642, 65650,
AAR #R206.

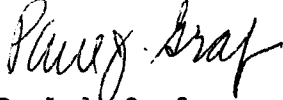
A fee of \$50.00 is enclosed. Please return one original and two copies not needed by the Commission for recordation to Paul J. Graf, Evans Products Company, 2550 Golf Road, Rolling Meadows, IL 60008.

KJRY 681 ✓
KJRY 680 ✓ KJRY 560 ✓ KJRY 563 ✓ KJRY 639 ✓
KJRY 685 ✓ KJRY 564 ✓ KJRY 571 ✓ KJRY 705 ✓ KJRY 532 ✓
KJRY 659 ✓ KJRY 566 ✓ KJRY 621 ✓ KJRY 677 ✓ KJRY 535 ✓
KJRY 583 ✓ KJRY 579 ✓ KJRY 626 ✓ KJRY 678 ✓ KJRY 542 ✓
KJRY 591 ✓ KJRY 580 ✓ KJRY 631 ✓ KJRY 682 ✓ KJRY 561 ✓
KJRY 637 ✓ KJRY 585 ✓ KJRY 634 ✓ KJRY 605 ✓ KJRY 629 ✓
KJRY 633 ✓ KJRY 623 ✓ KJRY 635 ✓ KJRY 692 ✓ KJRY 708 ✓
KJRY 632 ✓ KJRY 700 ✓ KJRY 638 ✓ KJRY 693 ✓ KJRY 642 ✓
KJRY 609 ✓ KJRY 715 ✓ KJRY 646 ✓ KJRY 543 ✓ KJRY 707 ✓
KJRY 604 ✓ KJRY 718 ✓ KJRY 652 ✓ KJRY 554 ✓ KJRY 710 ✓
KJRY 607 ✓ KJRY 603 ✓ KJRY 684 ✓ KJRY 617 ✓ KJRY 549 ✓
KJRY 574 ✓ KJRY 611 ✓ KJRY 698 ✓ KJRY 531 ✓ KJRY 610 ✓

A short summary of the document to appear in the index follows:

Lease Agreement between Evans Railcar Leasing Company, 2550 Golf Road, Rolling Meadows, IL 60008, Lessor, and Keokuk Northern Real Estate Company, P.O. Box 1274, Keokuk, IA 52362, Lessee dated August 19, 1981 and covering Forty (40) New, 50'6" 70-ton XF Boxcars, Sixty (60) Used, 4780 c.f. 100-ton Covered Hoppers, and Ten (10) Used 52'5" 70-ton Foam Insulated RBL Boxcars with Dual-Air-Pak Bulkheads.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Paul J. Graf".

Paul J. Graf

PJG:sm

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

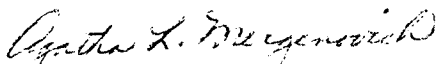
Paul J. Graf, Atty.
Evans Products Company
The East Tower
2550 Golf Road
Rolling Meadows, Illinois 60008

March 10, 1982

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **3/10/82** at **10:05AM**, and assigned re-recording number(s) **13591, 10067-B, & 10067-C**

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

LEASE

Lat 1944

AGREEMENT made and entered into this 19th day of August, 1981, between

EVANS RAILCAR LEASING COMPANY
an Illinois corporation (hereinafter called "Evans")

and

KEOKUK NORTHERN REAL ESTATE COMPANY
an Iowa Corporation
d/b/a KEOKUK JUNCTION RAILWAY
(hereinafter called "Lessee")

RECORDING NO. 1359
MAR 10 1982 10:05 AM
INTERSTATE COMMERCE COMMISSION

RECITALS

Lessee desires to lease from Evans as Lessor certain railroad cars, hereinafter specifically designated or to be specifically designated, all upon the rentals, terms and conditions as set forth in this Lease.

AGREEMENT

It is agreed:

1. Lease of Cars. Evans agrees to lease to Lessee and Lessee agrees to and does hereby lease from Evans that number of railroad cars, of the type, construction and such other description (hereinafter referred to as the "Cars") as is set forth in Schedule 1 of this Lease and as is set forth in Schedules which may from time to time be added to this Lease. The Cars covered by this Lease are those which shall be delivered to and accepted by or on behalf of Lessee pursuant to the terms hereof. This Lease shall become effective with respect to any Car as of the date of its delivery and acceptance hereunder and shall continue with respect to such Car for the term provided in the Schedule covering such Car unless sooner terminated as hereinafter provided. Evans shall deliver Cars f.o.t. at the delivery point specified in the Schedule covering such Cars and from and after such delivery, if any action by Lessee either oral or written cause cars to be routed in such a manner as to incur transportation cost; Lessee shall pay all costs and expenses on account of transportation or movement of the Cars to and from any place and for any reason whatsoever.
2. Rental. When Car Usage is equal to or less than eighty-two percent (82 %) in any calendar year, the rental per Car per day shall be all payments including but not limited to mileage charges, straight car hire and incentive car hire (if any) payable to Lessee on account of such Car. In the event Car usage exceeds eighty-two percent (82 %) in any calendar year,

Evans shall receive as rental an amount equal to the total of the payments described in the previous sentence for Car Usage up to 82 % and Lessee shall be entitled to any excess payments. Daily Car Usage of each Car shall be deemed to be the average Car Usage as finally determined for all Cars covered by this Lease as of the end of each calendar quarter or other applicable period during the term of this Lease. Lessee will within sixty (60) days after the end of each calendar quarter during the term hereof compute the Car Usage for such quarter and the amount so determined to be due to Evans shall be promptly paid. Rental on each Car shall accrue from and after the date of delivery and acceptance of each Car; provided, however, that rental shall be payable to Evans only for amounts actually received by or credited to Lessee.

3. Acceptance of Cars. Within three (3) days after Evans shall give Lessee notice that some or all Cars covered by a Schedule are ready for delivery, Lessee may have its authorized representative inspect such Cars at the point of delivery and accept or reject them as being or failing to be in compliance with the terms hereof. Cars so inspected and accepted and any Cars which Lessee does not elect to inspect shall be conclusively deemed to meet all requirements of this Lease and shall be conclusively deemed delivered to and accepted by Lessee.
4. Records. Lessee shall keep records of and monitor the use and movements of all Cars and shall provide to Evans all information and copies of all records and reports, pertaining to the Cars received by Lessee or available to it. Evans shall have the right at any time and from time to time to audit and verify any such information, records and reports and other data pertinent hereto and Lessee shall cooperate with and assist Evans in any such audit or verification. Lessee will at Evans' expense file such applications for relief from any interchange Rules as Evans may direct to increase revenues of the Cars and will at Evans' expense take all appropriate action to record and register the Cars as Evans may request. In addition, if Lessee knows of the initial loading of any of the Cars, Lessee shall promptly thereafter notify Evans of the date, handling railroad and destination of such initial loading.

5. Use - Lettering. Lessee shall use the Cars in a careful and prudent manner in compliance with all Interchange Rules and solely for the uses for which they were designed. From and after the delivery of a Car to Lessee, so long as Lessee shall not be in default hereunder, Lessee shall be entitled to the use of the Car for the full term of this Lease, but solely within the continental limits of the United States of America. Except for the lettering to be placed on the Cars by Evans prior to delivery indicating the interest of Lessee, Evans and any assignee or mortgagee of Evans as permitted in Paragraph 10 hereof, no lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or consent of Evans. Lessee shall give preference and shall load the Cars prior to loading similar railroad cars leased from other parties or purchased by Lessee subsequent to the date of this Lease or interchanged with other railroads, provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request to shippers on its railroad tracks, and provided further, Lessee shall not have to give priority to the loading of the Cars at the expense of unreasonably disrupting Lessee's normal operations.
6. Repair Work. Except as otherwise provided herein, Evans shall at its sole cost and expense perform all Repair Work or authorize or cause same to be done. Lessee shall at its sole cost and expense perform or cause to be performed all Repair Work required by reason of the negligence of Lessee or an affiliate of Lessee. Evans shall have a duty to promptly perform Repair Work for which it is responsible, but such obligation shall not commence until Evans is informed of the need for such Repair Work. Evans may require Lessee to return Cars for preventive maintenance or Repair Work and may withdraw from this Lease any Cars which it in its sole discretion deems uneconomical for Repair Work of any kind.
7. Casualty Cars. Evans shall bear the risk of any Car which is lost, stolen, destroyed or damaged beyond economical repair ("Casualty Car") other than on Lessee's lines. Lessee shall bear the risk of and be responsible for any Car which is lost, stolen, destroyed or damaged beyond economical repair on its lines and shall, within thirty (30) days after the occurrence of any such event, pay to Evans the amount provided in the Interchange Rules to be paid for such Casualty Car. This Lease shall terminate as to any Casualty Car on the date on which the casualty occurred. All payments for Repair Work or in connection with the loss of any Casualty Car due from

third parties shall be assigned to and belong to Evans and Lessee shall cooperate with Evans in the prosecution and collection of all claims therefor.

8. Indemnities. Evans agrees to indemnify Lessee and hold it harmless from any loss, expense or liability which Lessee may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession or operation of the Cars while subject to this Lease, excepting only any such loss, expense or liability which arises from Lessee's negligence or which arise as a result of the operation of the Cars on Lessee's lines and Lessee shall indemnify Evans for such loss, expense or liability. The indemnities and assumptions of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against.
9. Taxes. Evans shall pay all property taxes assessed or levied against the Cars. Evans shall pay all taxes based upon the earnings or rental of cars. Evans will file all property or ad valorem tax returns. Evans and Lessee agree that, as between themselves, Evans shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes.
10. Termination. This Lease shall terminate upon expiration of its term, at election of either party hereto by reason of the default or breach of the other party in the terms hereof, or upon the election of Evans as hereinafter provided. In the event of a default or breach by either party, the other party may elect to terminate this Lease with respect to less than all of the Cars. In the event that (i) daily Car Usage for all Cars or any group of Cars in any calendar quarter is less than 75 % or (ii) the rental payable to Evans during such quarter averages less than the amount per car per day stated on Attachment 1 hereto, then Evans may at its option upon thirty (30) days notice to Lessee terminate this Lease in its entirety, or terminate the Lease as to any or all of the Cars subject to this Lease or any Schedule hereto; provided however, that Lessee shall have the right, at any time prior to the expiration of the thirty-day period to pay Evans such amount as may be necessary to increase the quarterly average rental per car per day above the minimums set forth on Attachment 1. Upon such payment, Evans' right to terminate by reason of underutilization will cease. Lessee shall at the termination of the Lease with respect to any Cars return such cars to Evans in the same condition (except as to Casualty Cars) in which the Cars were furnished and maintained by Evans during the term

hereof, ordinary wear and tear except upon termination of this Lease with respect to any or all Cars, Lessee shall at its sole cost and expense forthwith surrender possession of such Cars to Evans at a railcar facility to be designated by Evans. Lessee shall provide free storage for a period of up to 90 days for Cars as to which the Lease is terminated. This Lease may be terminated as to all Cars or as to any group of Cars covered by a Schedule without termination of the Lease as to Cars covered by any other Schedule. From and after termination of this Lease with respect to any Car and until its return to Evans all amounts earned by such Car shall be paid to Evans as additional rental for use of the Cars during the term hereof.

11. Sublease and Assignment. The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

- (a) Lessee shall have no right to assign this Lease or sublease or loan any of the Cars without the written consent of Evans. Exception as otherwise provided, the provision shall not prohibit Lessee from entering into such merger, consolidation or reclassification as it may deem advisable, and such merger, consolidation, or reclassification will not be deemed to be an assignment or sublease.
- (b) All rights of Evans hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part and Evans agrees to give notice to Lessee within 30 days of such assignment, pledge, mortgage, transfer or other disposition. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any chattel mortgage, security agreement or equipment trust covering the cars heretofore or hereafter created by Evans. If Evans shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall thereafter make such payments to the designated assignee.

The making of an assignment or sublease by Lessee or an assignment by Evans shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

12. Default. If Lessee or Evans shall fail to make any payment required hereunder within five (5) days after same shall have become due or shall breach any representation or warranty contained herein or shall

default or fail for a period of ten (10) days in the due observance or performance of any covenant, condition or agreement required to be observed or performed on its part hereunder, or a proceeding shall have been commenced by or against Lessee or Evans under any bankruptcy laws, Federal or State, or other laws for the appointment of a receiver, assignee or trustee of Lessee or Evans or their property, or Lessee or Evans shall make a general assignment for the benefit of creditors, then and in any of said events Evans or Lessee, as the case may be, may in addition to all other rights and remedies provided in law of equity, upon written notice to such effect, terminate this Lease in its entirety or with respect to any group of Cars with respect to which said default has occurred and thereafter recover any and all damages sustained by reason of Lessee's or Evans' default. The obligation to pay rental then or thereafter due or any other sum or sums due and unpaid or any damages suffered by reason of Lessee's or Evans' default hereunder shall survive the termination of the Lease and the retaking of the Cars. Notwithstanding the foregoing, however, Lessee shall have a ten-day grace period from and after the expiration of such five and ten day periods in which to cure any default hereunder.

13. Definitions. For all purposes of this Lease the following terms shall have the following meaning:

"Repair Work" - all repairs, maintenance, modifications, additions or replacements required to keep Cars in good working order and condition and in compliance with all Interchange Rules.

"Interchange Rules" - all codes, rules, decisions, interpretations, laws and orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time during the term of this Lease by the Association of American Railroads and any other organization, agency or governmental authority, such as but not limited to the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, decisions, interpretations, laws or orders.

"Car Usage" - a percentage equal to the quotient obtained by dividing the aggregate number of hours in a calendar year (or other applicable time period) in which straight car hire is earned on a Car by the Lessee commencing with its date of delivery, by the aggregate number of hours in such year (or other applicable time period) in

which the Car is under lease to Lessee commencing with its date of delivery.

14. Representations. Lessee and Evans respectively covenant, warrant and represent that all of the following matters shall be true and correct at all times that any Car is subject to this Lease:

- (a) Each party is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation and has the corporate power, authority and is duly authorized and qualified to do business wherever it transacts business and such qualification is required, and has corporate power to and has taken all corporate action necessary to enter into this Lease and carry out its obligations hereunder;
- (b) This Lease has been duly executed on behalf of each party and constitutes the legal, valid and binding obligation of the respective parties enforceable in accordance with its terms.
- (c) No governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of either party in connection with this Lease or any action contemplated on its part hereunder, nor will the execution or performance of this Lease violate any law, judgement order or regulation, or any indenture or agreement binding upon either party; and
- (d) Neither party nor their respective counsel know of any requirements for recording, filing or depositing this Lease other than pursuant to Section 20c of the Interstate Commerce Act, which is necessary to preserve or protect the title of Evans or its assignee or mortgagee in the United States of America.

Upon request of Evans or its assignee or mortgagee at any time or times, Lessee shall deliver to Evans an opinion of its counsel addressed to Evans or its assignee or mortgagee, in form and substance satisfactory to Evans or its assignee or mortgagee, which opinion shall confirm the matters set forth in this Paragraph 14 (a) through (d).

15. Miscellaneous.

- (a) This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns to the extent permitted herein.

- (b) Any notice required or permitted to be given by one party to another hereunder shall be properly given when made in writing, deposited in the United States Mail, registered or certified, postage prepaid, addressed to:

Evans at: East Tower
2550 Golf Road
Rolling Meadows, Illinois
60008

Lessee at: P. O. Box 1274
Keokuk, IA 52632

or such other address as either party may from time to time designate by such notice in writing to the other.

- (c) Lessee shall keep the Cars free from any encumbrances or liens, which may be a cloud upon or otherwise affect Evans' title, which arise out of any suit involving Lessee, or any act, omission or failure of Lessee or Lessee's failure to comply with the provisions of this Lease and shall promptly discharge any such lien, encumbrance or legal process. Lessee shall take all action requested by Evans to confirm Evans' interest in the Cars as Lessor and that Lessee has no interest in the Cars other than as Lessee hereunder.
- (d) So long as Lessee is not in default under this Lease, Lessee shall be entitled to the peaceful and quiet possession of the Cars.
- (e) During the continuance of this Lease, Evans shall have the right, at its own cost and expense, to inspect the Cars at any reasonable time or time wherever the Cars may be. Lessee shall, upon request of Evans, but no more than once every year, furnish to Evans two (2) copies of an accurate inventory of all Cars in service.

16. Financial Statements. Lessee agrees to furnish Lessor with audited financial statements annually within 60 days after the close of each accounting year, and unaudited statements within 30 days after the end of each quarter.

17. Lessee. Lessee shall mean and include any subsidiary, parent or affiliated corporation for all purposes of this Lease.

18. Financing Guaranty. In consideration of Lessee entering into this Lease for the Cars set forth in the schedules attached hereto, Evans Transportation Company, the parent corporation of Evans, hereby agrees to guarantee the repayment of a loan to Lessee by a mutually agreeable bank or other financial institution in the amount of not more than \$200,000.00. The loan plus interest thereon must be paid off by Lessee in no more than 5 years. It is intended, however, that Lessee will pay off the loan in fewer than five years. In this regard, Lessee agrees to make quarterly payments of no less than \$15,500.00, which sum will be applied to principal and interest in accordance with the loan documents. Furthermore, in the event that quarterly car hire revenues on the Cars leased hereunder exceed \$15,500.00 for any quarter that any part of the loan balance is outstanding, then 70% of the excess shall be applied to reduce the outstanding principal balance.

In order to induce Evans to execute the aforescribed loan guaranty, Lessee represents and warrants to Evans as follows:

a) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa;

b) Lessee is not in default with respect to any existing indebtedness;

c) Execution of this Lease, the security agreement and mortgage which are attached hereto as Exhibits "A" and "B", respectively do not violate the charter or by-laws of Lessee, do not violate any law, and do not result in a default under any contract, agreement, or instrument to which Lessee is a party;

d) This Lease, the security agreement and the mortgage are valid, binding and enforceable in accordance with their terms;

e) Lessee has good and marketable title to the real properties described in the mortgage and personal property described in the security agreement and neither is subject to any other security interest, encumbrance or lien except with respect to the mortgage to the prior, first mortgage interest of Security State Bank of Keokuk;

f) Lessee has filed all federal, state and local tax returns required by law to be filed prior to the date hereof;

g) Except for the \$200,000.00 loan herein mentioned and a line of credit in the amount of not more than \$100,000.00, Lessee has no other material indebtedness;

h) All of the foregoing representations shall survive until after the \$200,000.00 is paid in full or Evans is otherwise discharged as guarantor.

i) The Stock being pledged by John J. Warfield contemporaneously herewith represents 55% of the issued and outstanding stock of Lessee.

In consideration of Evans entering into the aforesaid Guaranty, so long as any of the aforesaid loan is outstanding, Lessee covenants as follows:

a) The proceeds of the guaranteed loan shall be used solely for the purpose of purchasing railroad track and related property in Keokuk, Iowa, from the Trustee of the Chicago, Rock Island and Pacific Railroad Company, in the event that the purchase is not consummated within two days of the date of this Lease, Lessee will repay the entire guaranteed debt, immediately, and cause Evans' guaranty to be released.

b) Lessee will maintain its real property, inventory and equipment in good condition and repair, normal wear and tear excepted;

c) Lessee will maintain, or cause to be maintained, public liability insurance and fire and extended coverage insurance on all assets owned by it in form and amount consistent with industry practice and with such insurers as may be satisfactory to Evans;

d) Lessee will pay or cause to be paid when due, all taxes, assessments, charges or levies imposed upon Lessee or any of its property;

e) Lessee will, when requested to do so, make its books and records available for inspection by Evans;

f) Lessee will not change its corporate name, or sell, transfer, lease or otherwise dispose of a material portion of its assets, or obligate itself directly or indirectly as a guarantor, without Evans' express written consent;

g) Lessee will not enter into any sale - leaseback transaction;

h) Lessee will not pay aggregate salaries and other benefits to its officers in an amount exceeding \$90,000.00 per annum, with annual salary increases of no more than 12% per annum.

i) Lessee may not pay any cash dividends until the principal balance of the guaranteed debt has been reduced to no more than \$100,000.00. Provided that the balance has been so reduced then cash dividends may be paid; however, in no event shall the aggregate annual dividends paid exceed 15% of the net after-tax earnings up to \$12,500.00.

19. Tracing and Accounting. Evans shall receive AAR Train messages with respect to the Cars and all foreign Cars using Lessee's railroad line, audit such messages to determine their accuracy, take corrective action as Evans may deem advisable if inaccuracies are noted, prepare invoices or drafts of claim with respect to car hire revenues due by reason of movement of such cars, forward car hire revenues collected by Evans to the escrow account as hereinafter described, and render a reconciliation to Lessee with respect to the foregoing on a monthly basis during the term of this Lease. Evans hereby disclaims responsibility for the accuracy of AAR Train messages received with respect to the cars. Furthermore, Evans does not hereby undertake to guarantee the collection of car hire revenues nor does Evans hereby agree to attempt to collect car hire revenues that are not paid in the ordinary course of business; instead, Evans and Lessee will agree on a mutual course of action with respect to delinquent payments.

20. Right of First Refusal. If, during the term of this Lease, Lessee shall desire to either lease or purchase additional cars, Lessee must first obtain Evans' written approval which approval will not be withheld unreasonably. Provided that such approval is granted, Lessee shall obtain such quotations or proposals from railcar lessors and manufacturers as Lessee may deem advisable. Lessee shall, thereafter, present such quotations or proposals to Evans, and Evans shall thereupon, for a period of ten days, have the right to sell or lease such cars to Lessee on terms which are no less favorable to Lessee than those contained in such proposals or offers. If Evans does not exercise its rights as herein stated within such ten-day period, then Lessee shall be free to purchase or lease such cars from such of the railcar Lessors or manufacturers having submitted proposals or quotations, as Lessee may deem advisable.

21. Escrow Account. It is agreed, for the purposes of securing and protecting Evans' interest hereunder, that all car hire revenues (including without limitation, per diem, mileage and incentive payments) payable with respect to the Cars leased hereunder shall be paid to and deposited in an escrow account at such bank or other financial institution as shall be mutually agreeable, and such escrow agent shall hold, notwithstanding provisions contained in paragraph 2 hereof to the contrary, all deposits subject to the following instructions:

a) As soon after the expiration of each month that car usage is determinable pursuant to paragraph 2 hereof, the escrow agent shall pay Evans its share of the car hire revenues pursuant to the provisions of said paragraph 2.

b) Contemporaneous with the payment described in subparagraph a, above, the escrow agent shall pay Evans the sum of \$1,000.00 per month representing payment for accounting and tracing services heretofore mentioned in paragraph 19.

c) After monthly payments have been made as described in subparagraphs a and b, above, the escrow agent shall pay the

bank or other financial institution described in paragraph 18 hereof, the monthly installment of principal and interest payable pursuant to the provisions of such loan agreement. If for a given month, there are insufficient funds in the escrow to pay such installments, then Lessee shall make up the difference from other sources.

d) Provided that required payments pursuant to subparagraphs a, b, and c, above, have been made in full, then to the extent that funds are then available in the escrow account, Lessee shall be paid its share, if any, of the car hire revenues.

e) Lessee shall be entitled to all interest paid on the escrowed funds, but such interest may not be withdrawn by Lessee unless payments have been made in full with respect to all amounts due and payable pursuant to subparagraphs a, b, and c, above.

f) This escrow account shall exist for the term of the Lease. At the expiration of the Lease, any funds remaining in the account shall be paid to Lessee, provided that Evans has been paid in full for all sums due under the Lease.

g) Evans and Lessee shall each pay one half (1/2) of the escrow agent's fee for establishing and maintaining the escrow account.

22. Security Interest. As further security for Evans' position, hereunder, Lessee grants to Evans a security interest in all receivables flowing from the utilization of the Cars in connection therewith, Lessee agrees to execute a financing statement or other documents as Evans may reasonably require. This security interest shall exist for the term of the Lease.

23. Mortgage. Evans understands that the mortgage granted to Evans as security for its position as heretofore described in paragraph 18 will be subordinate to the mortgage of Security State Bank of Keokuk. It is agreed, however, that the mortgage granted to Evans will be a second mortgage, and that there are no further liens or encumbrances against the parcels covered by such mortgage.

24. Financial Instability. In the event that Evans shall become insolvent during the term of this Lease or unable to maintain the cars pursuant to the provisions of the Lease, then provided that the loan from Evans to Lessee or loans to Lessee which are guaranteed by Evans Transportation Company have been paid and cancelled, then Lessee shall have the right to terminate this Lease without further responsibility except with respect to obligations accruing prior to such termination.

25. Abatement. Any provision in the Lease to the contrary notwithstanding, it is agreed for the purpose of determining car usage pursuant to paragraphs 2 and 13, hereof, the following rules shall apply:

a) In the event that Cars are sent to a foreign repair shop designated by Lessee, or the repair work is done in Lessee's own repair facility, then for purposes of determining the aggregate number of hours in a year (or other applicable time period) in which a Car is under Lease to Lessee then the days following the fifth day that the Car is in such repair facility shall be deleted from such aggregate number of hours.

b) If repair work is performed at Evans' facility, then for purposes of determining such aggregate figure as is described in (a) above, then the number of days beginning 24 hours after Evans is notified in writing by Lessee of damage to a car, and ending upon completion of repair work at such facility, shall be deleted for purposes of determining such aggregate figure.

26. Contingency. This Lease is subject to and therefore the effectiveness of this Lease is contingent upon Lessee purchasing approximately four miles of railroad track in Keokuk, Iowa, from the Trustee of the Chicago, Rock Island and Pacific Railroad Company. In the event that said purchase is not consummated within 30 days from the date of this Lease, then all rights and obligations herein created shall cease and terminate without further obligation to either party.

27. Delivery of Cars. Notwithstanding any provision herein to the contrary, it is understood that Cars leased hereunder will be delivered FOT Keokuk, Iowa. Upon termination of the lease, Lessee will cause the Cars to be delivered to such location as Evans may designate; however, Lessee shall not bear the cost of such delivery in excess of the first three hundred (300) miles.

28. Authority to Operate. Lessee covenants that it is unnecessary for Lessee to obtain operating or other authority from either the Interstate Commerce Commission (ICC) or the State of Iowa. In this regard, Lessee has requested a letter from the ICC wherein the ICC would certify to Lessee's exempt operating status pursuant to Section 10907 of the Interstate Commerce Act, as amended. Upon receipt, Lessee agrees to forward a copy of such letter to Evans.

29. If any Cars leased hereunder are on Lessee's railroad line for 144 consecutive hours, after such time that the Cars are subject to demurrage rules pursuant to applicable freight tariffs, then thereafter, Lessee will pay Evans with respect to each such Car 82% of the current hourly per diem rate until the Cars are released from demurrage. For purposes of the definition of "Car Usage" pursuant to paragraph 13 hereof, so long as Lessee is making payments as above stated, the applicable Cars shall be considered to be earning straight car hire.

(CORPORATE SEAL)

ATTEST:

KEOKUK NORTHERN REAL ESTATE
COMPANY

R. L. Taylor
R. L. Taylor, Secretary

By: John J. Warfield
John J. Warfield, President

(CORPORATE SEAL)

ATTEST:

EVANS RAILCAR LEASING COMPANY

Paul J. Gray

By: W. A. Hunt
Vice President

STATE OF Illinois
COUNTY OF Cook

On this 19th day of August, 1981, before me personally appeared Paul R. Dean, to me personally known, who being by me duly sworn, says that he is Vice President of EVANS RAILCAR LEASING COMPANY, and Paul J. Graf personally known to be the Assistant Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Susan E. Muenyell
Notary Public

STATE OF Illinois
COUNTY OF Cook

On this 19th day of August, 1981, before me personally appeared John J. Warfield, to me personally known, who being by me duly sworn says that he is Vice President of KEOKUK NORTHERN REAL ESTATE COMPANY, and R. L. Taylor to me personally known to be the Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Susan E. Muenyell
Notary Public

ATTACHMENT 1

The minimum daily rental for the cars defined in the following schedules to the Lease dated August 18, 1981 is as follows:

| <u>Schedule 1</u> | <u>Minimum Daily Rental</u> |
|---------------------------------------------------------------------------------------------|-----------------------------|
| New, 50'6" 70-Ton XF Boxcars | \$18.91 |
| <u>Schedule 2</u> | |
| Used, 4780 cubic foot 100-Ton Covered Hoppers | \$19.28 |
| <u>Schedule 3</u> | |
| Used, 52'5" 70-Ton Foam Insulated RBL Boxcars Equipped with Dual Air-Pak Bulkheads | \$30.85 |

EVANS' LOT NO. _____

Schedule 1

Page 1 of Schedule 1 dated August 18, 1981,
to Lease dated August 18, 1981, by and between
EVANS RAILCAR LEASING COMPANY ("Evans") and _____
KEOKUK NORTHERN REAL ESTATE COMPANY ("Lessee")

TYPE AND DESCRIPTION OF CAR:

New, 50'6" 70-Ton XF Boxcars, Built August, 1981

NUMBER OF CARS:

40

INTERIOR EQUIPMENT:

None

SPECIAL LININGS:

None

PERMITTED LADING USE:

Non-corrosive commodities

REPORTING MARKS AND NUMBERS:

KJRY

(Numbers to be advised)

SPECIFICATIONS DESIGNATED BY LESSEE:

Cars are to have Keokuk Railway stencil

INITIAL F.O.T. DELIVERY POINT:

Nearest connecting point to the Keokuk Railway

EVANS-PD 6/81

Page 2 of Schedule 1 dated August 18, 1981,
to Lease dated August 18, 1981, by and
between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

LEASE TERM: 15 years

PER DIEM SHARE: 82% of 100% to the account of Evans

SPECIAL TERMS: See Attachment 1. Per diem value used
for calculations for this schedule
is \$39,041 plus any capitalized freight
expenses or improvements.

KEOKUK NORTHERN
REAL ESTATE COMPANY
Lessee

By John J. Wayfield
President

(CORPORATE SEAL)

Attest:

R. L. Taylor
Secretary

EVANS RAILCAR LEASING
COMPANY

By W. R. Peak
Vice President

(CORPORATE SEAL)

Attest:

Paul J. Bray
Secretary

EVANS-PD 6/81

EXHIBIT A

Schedule 1 to Lease dated August 18, 1981,
by and between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

CERTIFICATE OF ACCEPTANCE

_____, 19__

Evans Railcar Leasing Company
2550 Golf Road
Rolling Meadows, Illinois 60008

Gentlemen:

The undersigned, being a duly authorized representative
of Lessee, hereby accepts _____
(_____) Cars bearing numbers as follows:

for the Lessee pursuant to the Lease and certifies that each
of said Cars is plainly marked in stencil on both sides of
each Car with the words

EVANS RAILCAR LEASING COMPANY
OWNER AND LESSOR

Title to this Car subject to documents recorded
under Section 20c of Interstate Commerce Act

in readily visible letters not less than one inch (1") in
height; and that each of said Cars conforms to, and fully
complies with the terms of said Lease and is in condition
satisfactory to the Lessee. If the Lessee is a railroad,
Lessee hereby certifies that it is an interstate carrier by
rail and that the Cars are intended for actual use and
movement in interstate commerce.

Lessee

EVANS' LOT NO. _____

Schedule 2

Page 1 of Schedule 2 dated August 18, 1981,
to Lease dated August 18, 1981, by and between
EVANS RAILCAR LEASING COMPANY ("Evans") and _____
KEOKUK NORTHERN REAL ESTATE COMPANY ("Lessee")

TYPE AND DESCRIPTION OF CAR:

Used, 4780 cubic foot 100-Ton Covered Hopper Cars,
Built March, 1981

NUMBER OF CARS:

60

INTERIOR EQUIPMENT:

None

SPECIAL LININGS:

None

PERMITTED LADING USE:

Non-corrosive commodities

REPORTING MARKS AND NUMBERS:

KJRY

(Numbers to be advised)

SPECIFICATIONS DESIGNATED BY LESSEE:

Cars will have Keokuk Railway stencil

INITIAL F.O.T. DELIVERY POINT:

Nearest connecting point to the Keokuk Railway

EVANS-PD 6/81

Page 2 of Schedule 2 dated August 18, 1981,
to Lease dated August 18, 1981, by and
between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

LEASE TERM: 15 years

PER DIEM SHARE: 82% of 100% to the account of Evans

SPECIAL TERMS: See Attachment 1. Per diem value used
for calculations for this schedule is
\$44,040 plus any capitalized freight expenses
or improvements.

KEOKUK NORTHERN
REAL ESTATE COMPANY
Lessee

By John J. Warfield
President

(CORPORATE SEAL)

Attest:

R. L. Taylor
Secretary

EVANS RAILCAR LEASING
COMPANY

By W. P. Heath
Vice President

(CORPORATE SEAL)

Attest:

Paul J. Bue
Secretary

EVANS-PD 6/81

EXHIBIT A

Schedule 2 to Lease dated August 18, 1981,
by and between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

CERTIFICATE OF ACCEPTANCE

_____, 19__

Evans Railcar Leasing Company
2550 Golf Road
Rolling Meadows, Illinois 60008

Gentlemen:

The undersigned, being a duly authorized representative
of Lessee, hereby accepts _____
(_____) Cars bearing numbers as follows:

for the Lessee pursuant to the Lease and certifies that each
of said Cars is plainly marked in stencil on both sides of
each Car with the words

EVANS RAILCAR LEASING COMPANY
OWNER AND LESSOR

Title to this Car subject to documents recorded
under Section 20c of Interstate Commerce Act

in readily visible letters not less than one inch (1") in
height; and that each of said Cars conforms to, and fully
complies with the terms of said Lease and is in condition
satisfactory to the Lessee. If the Lessee is a railroad,
Lessee hereby certifies that it is an interstate carrier by
rail and that the Cars are intended for actual use and
movement in interstate commerce.

Lessee

EVANS' LOT NO. _____

Schedule 3

Page 1 of Schedule 3 dated August 18, 1981,
to Lease dated August 18, 1981, by and between
EVANS RAILCAR LEASING COMPANY ("Evans") and _____
KEOKUK NORTHERN REAL ESTATE COMPANY ("Lessee")

TYPE AND DESCRIPTION OF CAR:

Used 52'5" 70-Ton foam insulated RBL boxcars equipped with
dual-air-pak bulkheads, Built June, 1981

NUMBER OF CARS:

10

INTERIOR EQUIPMENT:

None

SPECIAL LININGS:

None

PERMITTED LADING USE:

Non-corrosive commodities

REPORTING MARKS AND NUMBERS:

KJRY

(Numbers to be advised)

SPECIFICATIONS DESIGNATED BY LESSEE:

Cars will have Keokuk Railway stencil

INITIAL F.O.T. DELIVERY POINT:

Nearest connecting point to the Keokuk Railway

Page 2 of Schedule 3 dated August 18, 1981,
to Lease dated August 18, 1981, by and
between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

LEASE TERM: 15 years

PER DIEM SHARE: 82% of 100% to the account of Evans

SPECIAL TERMS: See Attachment 1. Per diem value used
for calculations for this schedule is
\$71,200 plus any capitalized freight
expenses or improvements.

KEOKUK NORTHERN
REAL ESTATE COMPANY

Lessee

By John J. Warfield
President

(CORPORATE SEAL)

Attest:

R. L. Taylor
Secretary

EVANS RAILCAR LEASING
COMPANY

By W. R. Black
Vice President

(CORPORATE SEAL)

Attest:

Paul J. Gray
Secretary

EVANS-PD 6/81

EXHIBIT A

Schedule 3 to Lease dated August 18, 1981,
by and between EVANS RAILCAR LEASING COMPANY ("Evans") and
KEOKUK NORTHERN REAL ESTATE COMPANY
("Lessee")

CERTIFICATE OF ACCEPTANCE

_____, 19__

Evans Railcar Leasing Company
2550 Golf Road
Rolling Meadows, Illinois 60008

Gentlemen:

The undersigned, being a duly authorized representative
of Lessee, hereby accepts _____
(_____) Cars bearing numbers as follows:

for the Lessee pursuant to the Lease and certifies that each
of said Cars is plainly marked in stencil on both sides of
each Car with the words

EVANS RAILCAR LEASING COMPANY
OWNER AND LESSOR

Title to this Car subject to documents recorded
under Section 20c of Interstate Commerce Act

in readily visible letters not less than one inch (1") in
height; and that each of said Cars conforms to, and fully
complies with the terms of said Lease and is in condition
satisfactory to the Lessee. If the Lessee is a railroad,
Lessee hereby certifies that it is an interstate carrier by
rail and that the Cars are intended for actual use and
movement in interstate commerce.

Lessee